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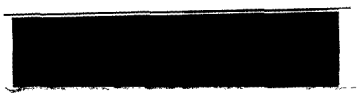
COST-RENTAL
HOUSING ASSOCIATIONS

A new initiative to meet housing need

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INTRODUCTION

In recent years, the situation of people who require rental accommodation has worsened. On the one hand, there has been a significant reduction in the number of dwellings built by State Housing Commissions and, on the other, a substantial increase in the number of people seeking accommodation. At the end of June, 1974, 90,000 families and individuals were on Housing Commission waiting lists throughout Australia.

The slow-down in private home building, and particularly in the rate of construction of private flats, has probably resulted in a significant increase since July, 1974 in the number of people turning to State Housing Authorities in the hope of obtaining reasonable accommodation at a rental within their means. The situation is exacerbated by the policy of some State Governments and their Housing Commissions to sell as many houses as possible.

Until 1974-1975, the rate of construction of new dwellings in Australia was growing at a reasonable rate and the total stock of accommodation available to Australians is, by most standards, high. Measures to assist low-income people in need of rental housing depend as much on redistributing existing stocks of housing as on adding to the total stock.

Cost-rent Housing Associations would provide a new mechanism for a controlled redistribution. They could have a significant role to play alongside the State Housing Commissions which are now beleaguered with rapidly growing waiting lists and confronted with economic pressures and political circumstances which are often outside their control.

Although State Housing Commissions are supposed to provide low-rental accommodation to people who need it most and in areas where they would prefer to live, they are also agents for carrying out other State Government policies including the encouragement of home ownership, decentralisation, and the provision of housing in new population centres in rural areas and on the fringes of the metropolis.

The only land that they are usually permitted, or can afford, to buy is what is available after private developers have purchased or obtained control over more desirable residential locations.

Housing Associations could reduce the pressure now being generated on State Housing Commissions. They could provide local councils and community organisations with the opportunity to acquire stocks of housing to meet certain local needs and localise the management and decision making. In older, established areas, they offer a means of acquiring stocks of houses, flats and apartments to guarantee cost-rental accommodation for the many groups being forced out because of rising market prices.

Loan funds for Housing Associations could be provided by the Australian Government through the proposed Housing Corporation or by the Australian Government with the agreement of the States.

Housing Associations could give a large number of people and organisations with a concern and interest in housing problems, the opportunity to personally participate in helping to meet housing needs. This involvement could stimulate other initiatives - "ideas generate action and action generates ideas".

[redacted]

A new welfare philosophy is beginning to emerge in Australia and is generally accepted by all political parties with certain differences in emphasis. This philosophy seeks to make provision for:

(a) A range of choices for people.

(b) Basic personal security provided through minimum wages, income support and pensions and access to essential housing, health, welfare and education services.

(c) Flexible structures to provide services that take into account regional differences and individual needs.

(d) Opportunity for personal participation in planning, making decisions and providing services.

(e) Decentralised, more humane and less bureaucratic approach to the delivery of services.

(f) Improved communications between those who provide and those who use the services.

Housing Associations could serve as a service model which meets these new welfare objectives.

There is an urgent need to develop new initiatives in housing policy in Australia. It is hoped that the role which could be played by cost-rent Housing Associations will be acknowledged and supported by all political parties and by the three tiers of Government - national, state and local.

[redacted]

HOUSING ASSOCIATIONS

There are two kinds of Housing Associations - cost ownership and cost rent.

A Co-Ownership Association holds legal title to the entire housing project and the houses or flats are occupied exclusively by the members of the Assocation and their families. As shareholders in the Association, the members collectively own the dwellings which they occupy individually under a tenancy agreement granted by the society at a rent which is a proportionate share of the collective mortgage and other outgoings of the society.

A Cost-Rent Association is basically a non-profit making landlord letting on ordinary tenancies.

Membership of the Association can vary. Associations could be established by special interest groups such as elderly people, one-parent families, ethnic groups or made up of a wider representation of organisations or individuals who have the common objective of providing cost-rental accommodation for various groups of people. Ideally, an association should consist of representatives of local government, community organisations and tenants as well as individuals with experience in architecture, real estate management, finance and administration.

This proposal is limited to a consideration of the role that cost-rental associations could play in Australia.



Co-ownership associations could make an equally important and unique contribution to improving housing opportunities. The Inner Suburban Action Groups in Sydney have concentrated on the development of co-ownership housing associations and would be pleased to provide further information. Their address is:

69 Raglan Street,
Waterloo, N.S.W. 2017

THE NEED FOR RENTAL ACCOMMODATION

Housing policies and trends in the past three years have been unkind to individuals and families on low-incomes who require rental accommodation of an acceptable standard in a preferred area and at a rent within their means.

State Housing Commissions are the only organisations with the responsibility and resources to provide rental accommodation for low-income earners, but the total number of dwellings constructed by Housing Commissions has declined in recent years in absolute numbers and as a proportion of the total dwellings built in Australia:

NUMBER OF DWELLINGS COMPLETED BY STATE HOUSING AUTHORITIES (1)
(financed by Commonwealth funds under various Acts)

Year	Total Dwellings Completed	State Housing Authorities Completions	Housing Auth. as prop. of Total
1970-71	141,500	12,800	9.1
1971-72	142,700	11,130	7.8
1972-73	149,144	8,012	5.4
1973-74	152,727	7,552 (est.)	4.9
In Victoria, the situation is even worse:			
1970-71	37,300	2,900	7.8
1971-72	35,700	2,220	6.2
1972-73	38,200	1,764	4.6
1973-74	37,700	1,440	3.8

1. Housing Quarterly (Australian Department of Housing and Construction). June, 1974.

[redacted]

The most recent figures available, to July, 1973, show that there were 206,000 rent-paying tenants of housing authorities throughout Australia[1]. It would be reasonable to assume that the number increased to 210,000 at the end of June, 1974.

In 1971-72, there were 193,000 rent-paying tenants so in three years there has been an increase of only 17,000 rental units provided by housing authorities. During this period, some 2,000 units were built for aged pensioners and 4,500 for servicemen, which are other factors reducing the amount of accommodation available for families.

At the end of June, 1974, there were 90,000 applications for purchase of rental housing on Housing Commission lists throughout Australia.[2]

But the situation is even worse than it appears to be from these figures. Most of the Housing Commissions now attempt to sell as many houses as they can. This policy is of considerable benefit to low and lower middle income people who wish and are able to purchase their own homes, but the effect is to reduce the stock of public housing that is available for those who require rental accommodation. This is especially hard for low-income families and individuals.

It is difficult to obtain the data that is needed to study trends in the supply of housing for people on lower incomes. Figures for Victoria show that in June, 1974, the Victorian Housing Commission had 39,800 tenanted dwellings. A declining proportion of these was houses. In fact, the Commission no longer estimates waiting periods for houses only flat tenancies in the metropolitan area.[3]

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2. Australian Parliament Hansard. November, 26, 1974. 4122

3. Victorian Housing Commission Booklet. 1974.

The Commission's 39,800 dwellings available for rental represent less than 4% of the total number of dwelling units in Victoria. At June, 1974, the Commission had 16,300 applications for rental and purchase accommodation of which 9,600 were in the metropolitan area. To meet these demands, the Commission built only 1,441 dwellings in 1973-74 and, of these, only 878 were in the metropolitan area.

Its total stock of rental houses in the metropolitan area declined in the year. The Commission built 894 houses and sold 1,181.

No one in Australia would disagree, or dare to question, the proposition that home ownership should be available to those who want it, but the people who need rental accommodation have a right to improved access to accommodation.

Almost every housing policy measure introduced by the Australian Government or advocated by the Opposition parties has been directed to assisting people who are buying homes or wish to do so. Tax deductions on home purchase interest payments have been introduced. The Commonwealth is funding land commissions to help stabilise the price of land and large amounts of money are being made available through State Savings Banks to promote home ownership and employment in the building industry.

There have been no measures to assist those people who desperately need rental housing. In fact, inflation and other economic trends greatly discourage the supply of private rental accommodation. Not only has there been a reduction in the construction of private accommodation for rental, but rentals of existing houses and flats are likely to increase rapidly due to:

(a) Excess of demand over supply. Landlords letting properties have the strongest sellers' market for twenty years.

(b) High interest rates charged for housing finance which will add considerably to rentals and increase the demand for rental accommodation.

(c) The proposed tax on land sale gains will also be passed on to tenants in the form of increased rents.

(d) In Melbourne, Board of Works' rates increases of 30% in 1975.

(e) Substantial increases in municipal rates, maintenance costs and insurance.

(f) Increased building costs which add to rents to be charged.

(g) Shortage of sites in inner areas and the higher standards imposed by municipal councils which will add to land costs.

(h) Refusal of many local councils to permit flat construction in certain areas and the limitation of heights to two or three storeys.

(i) Reduced rates of home building which will increase the demand for rental accommodation.

(j) Landlords' insistence on shorter term contracts so that rents can be raised more frequently.

The decrease in construction of private flat renta accommodation and the increase in rents will result in many more people having to join the 90,000 already on the Commission's waiting lists.

Another trend in housing is adversely affecting low-income earners. In the older areas of most cities, middle-class and professional people, developers and speculators are acquiring property which previously housed a mixture of low-income earners, families, people dependent on age, invalid and widow pensions, newly-arrived migrants, students, and other single people who could find rooms or boarding house accommodation.

The trend of recent years is likely to continue. The supply of older properties is limited and they are keenly sought by people who wish to move into areas close to the city centres, provide a varied social and cultural life and the prospect of higher than average capital gain. In some areas, the values are so inflated that it is now probably too late to acquire properties for rental accommodation. The economic rents that would have to be charged would be beyond the means of low-income tenants.

However, there are still areas in which the values have not been so highly inflated and where it is possible to acquire and preserve properties for low-income people without special subsidies other than the provision of loan money at 4%, the same rate of interest charged to State Housing Commissions.

Housing Associations of the kind developed in Great Britain would be an important new initiative in Australian housing. They could provide the opportunity to acquire and preserve stocks of existing accommodation in non-profit ownership for people of low incomes who require short or long-term tenancies. They could also enable local communities with a way to participate in the planning, provision and management of a stock of housing to meet certain local needs.

Housing Associations have operated in Great Britain for almost 100 years and in their current form are playing an increasingly important role, which is supported by all political parties.

It would be foolish to uncritically transplant a method of meeting need from one country to another. However, it is also foolish not to take note of the experience of social programs of other countries if it is likely Australia may benefit. Australians have no experience of Housing Associations so it may be helpful to consider their functions and method of operating in Great Britain before describing the contribution they could make to meeting certain housing needs in Australia.

COST-RENT HOUSING ASSOCIATIONS: THEIR PURPOSE AND METHODS OF OPERATION IN GREAT BRITAIN

Housing Associations have a long history in Great Britain. The first were formed in the middle of the 19th century as a means of improving housing conditions for "the labouring classes". Since then, Housing Associations have adapted their functions to meet changing circumstances of housing need.

The main purpose of Housing Associations is to cater for those who cannot afford homes of their own and have little chance of obtaining public housing provided by the local government housing authorities.

A Housing Association is a legally constituted body, organised and administered by a voluntary committee for the express purposes of providing housing on an entirely non-profit-making basis. The Housing Act 1957 defines a Housing Association as:

> "a society, body of trustees or company established for the purpose of, or amongst whose objects or powers are included those of, constructing, improving or managing or facilitating or encouraging the construction or improvement of houses, being a society, body of trustees or company who do not trade for profit or whose constitution or rules prohibit the issue of any capital with interest or dividend exceeding the rate for the time being prescribed by the Treasury, whether with or without differentiation as between share and loan capital."

[redacted]

Constitution of a Housing Association

Most Housing Associations as defined above obtain legal status by registering under the Industrial and Provident Societies Act; some associations are charitable trusts subject to the jurisdiction of the Charity Commissioners. Others are a small number registered as companies under the Companies Acts.

Associations can build, or purchase and convert property, flats, flatlets or hostels and if they wish, provide varying amenities and services.

In size and scope Housing Associations vary considerably, some providing accommodation for many thousands of tenants, while others provide for only a small number. It is estimated that there are more than 3,500 housing associations in Great Britain at the present time.

Finance

Housing Associations are financed by loans of up to 100% from local authorities and/or the Housing Corporation. Loans for new building are based on an approved estimate of comprehensive costs.

Repayment of loans is usually on the annuity system over a period of up to 60 years for new buildings. A fixed sum representing repayment of capital and interest is paid half yearly.

The Housing Corporation, which was established in 1964, mainly to assist self-ownership schemes, has recently been given a substantial increase in funds and been directed to devote most of its resources to providing additional finance for housing associations.

Housing Associations may be formed as self-help groups or by interested people wishing to assist minority groups in the community who are urgently in need of housing. There is now a move in some associations towards including representatives of tenants as members of the association or as members of Management Committees.

Although Housing Associations provide a very small proportion of the total housing stock in Great Britain, they have assumed considerable significance in recent years because of the worsening housing situation of disadvantaged groups. This "third arm of housing" is also a means of checking the spread of "gentrification" or change of ownership and conversion of previously inexpensive homes into homes for the more affluent.

Many Housing Associations concentrate on helping homeless families and assisting in area improvement and rehabilitation. Increasingly, local Housing Associations in stress areas are acquiring and modernising old properties for the benefit of existing residents and the less affluent. Special groups that can be helped through Housing Associations include elderly people, immigrant workers, handicapped people, single men and women, one-parent families, students, discharged prisoners, and families whose method of living makes them unacceptable to local housing authorities.

Account-ability

A Housing Association is accountable to the local authority which lends money and/or to the Housing Corporation. The Association is also accountable to the Registrar of Provident Societies, and if it is registered as a charity, to the Charity Commissioners.

These organisations are in a position to ensure that the Association is operating on a non-profit basis according to the terms of its constitution, that it is utilising its resources to the best advantage of the people it is aiming to house, and that its method of management is efficient.

Although there is no legal provision for accountability to tenants, the ethos of most of the Housing Associations is such that they are sensitive to tenants' requirements and there is an increasing trend towards provision for tenant consultation or representation on management committees or as members of the incorporated body.

Criticisms of Housing Associations

A study of the organisation of housing in Great Britain by the Centre for Environmental Studies concluded that Housing Associations make a valuable contribution to meeting specific housing needs alongside the main providers of housing, which are the local authorities, and private builders and private loan bodies. Whilst the total of housing controlled by Associations is not very great, in the Greater London area they now own and manage more than 42,000 units of accommodation.

Some of the criticisms relate to the difficulty that some Associations have in meeting the needs of lower income people because of the limitations on rent rebates and other concessions. Some Associations that have set out to provide housing for problem families find that they are not able to accept many such families as tenants, because of arrears through non-payment of rental and the Association's need to avoid financial loss on its total operations.

Some smaller Associations suffer from the diseconomies of scale; they are unable to appoint competent housing managers and other administrative staff as their small programs cannot bear these costs.

In the Greater London Council area, some Boroughs are concerned that there are too many small Housing Associations, with a consequent confusion and fragmentation of limited loan monies and other resources. Some Associations are considered to have limited ability, limited experience and limited objectives. The existence of too many Associations also creates competition for properties and finance which are in short supply.

However, these problems can be avoided by the provision of additional resources, better planning and the co-ordination of housing programs under different auspices in a particular region.

Notting Hill Housing Trust

The Notting Hill Housing Trust which was established 10 years ago in the depressed area of the Borough is typical of many Housing Associations. The Trust owns and manages 2,000 units of accommodation. Most of the properties purchased have been four-storey buildings which needed considerable renovation and sub-division into two, three or four separate units.

Many of the properties purchased are already occupied but usually by the kind of people the Housing Association was formed to assist. If the properties are badly in need of renovation and must be vacated, the Association tries to provide bridging accommodation while repairs are carried out.

The Housing Trust and the local authority have the power to obtain possession of an occupied property which the Trust has purchased if it can be proved that it is required for people with greater need than the existing tenants.

Selection of Tenants

Local Housing Authorities in Great Britain use a points system to assess housing need. A formula is used to attempt to assess and give weight to the many variables which make up total housing need. The points system is often criticised but most authorities believe it is impossible to provide a more equitable method. The Notting Hill Trust also takes into consideration the tenants' capacity to look after themselves as there is a limit to the extent to which it can work with difficult tenants, or meet the cost of rental arrears. Many local authorities which lend to Housing Associations insist that a proportion of the lettings, up to 50% are allocated to people already on the authority's waiting list.

Management

The management of a Housing Association is a skilled task. Large amounts of money are handled by the Notting Hill Association and tenants' problems can be considerable. The Housing Association must be a sympathetic provider of housing, but not a welfare organisation. It is not in a position to meet other than housing need.

The Notting Hill Housing Trust has a membership of 60, who elect a committee of 15. At present the Committee is made up of businessmen, solicitors, architects, surveyors, social workers and people with management and organisational experience.

The Trust is organising a Tenants' Association which will elect members to the committee of the Association. The executive staff consists of a Director, a property manager who is responsible for purchases and conversions, and a tenancy manager and other staff responsible for accounts, finance and fundraising.

THE ROLE FOR COST-RENT HOUSING ASSOCIATIONS IN AUSTRALIA

The functions of Housing Associations in Australia would be to purchase, build and convert houses, flats and lodging houses for low-income people requiring this kind of accommodation.

Housing Associations would:

* help to check current property market trends which are forcing low-income people out of older areas and cities.

* experiment in localised and sympathetic management of properties.

* experiment in tenant consultation, participation and/or tenant control.

* purchase properties in poor condition and improve and preserve them for existing tenants.

* evaluate the social and financial benefits of Housing Associations.

* research into the housing needs of low-income people in the region in which the Association operates.

* provide alternative models of housing management which would serve as comparisons with Housing Commissions and private rental property management.

* help to preserve the fabric of older areas - both physical and social by purchasing and retaining existing properties.

Groups that would be Assisted by Cost-Rent Housing Associations

(a) Families who have lived in inner areas for long periods and wish to remain for economic, social and family reasons.

(b) Recently-arrived migrants who seek low-cost accommodation so that they can save for home ownership. Many prefer to settle in inner areas where there are already many people of the same ethnic group and there is access to markets, cafes, entertainment, etc.

Professor Henderson's Melbourne Poverty Study showed that the highest incidence of poverty was amongst recently-arrived migrants and it was caused by the high rents they had to pay for inadequate accommodation.

(c) Single mothers and one-parent families who still experience prejudice and who find it very difficult to obtain adequate, low-cost accommodation.

(d) Families on the waiting lists for Housing Commission flats and houses.

(e) Aboriginal people who are still faced with some prejudice and the general shortage of adequate, low-rent accommodation.

(f) Young couples wanting flats or rooms at low rents in order to save for home ownership.

(g) Single people of all ages for whom practically no accommodation has been built in the past twenty-five years. Recent exposures of the large number of sub-standard bungalows built in backyards in Sunshine and Footscray (in Melbourne) shows the urgency of the need for adequate accommodation for single people.

In inner suburbs, students in particular are obliged to compete with age and invalid pensioners for a dwindling supply of rooms.

(h) Families evicted by the Housing Commission or who have left Housing Commission accommodation with rent arrears and are obliged to take sub-standard, high rental accommodation which often proves to be temporary. Many have little chance of obtaining Housing Commission accommodation again.

(i) Age and invalid pensioners who are being forced out of inner areas by increased property values. Voluntary organisations that provide accommodation for elderly people with grants under the Aged Persons Homes' Act have provided very little new accommodation in inner areas.

(j) Homeless men and women, some of whom have drinking problems that make them unacceptable to many landlords. Permanent and emergency accommodation would be provided in suitable properties acquired by local, general or special interest Housing Associations.

Sponsorship and Formation of Housing Associations

Determination of the need for Housing Associations in a particular Local Government or regional area could be undertaken by any community organisation. Regional Councils of Social Development which are now being formed across Australia under the Australian Assistance Plan would be the most appropriate bodies to investigate the contribution that Housing Associations could make to meet the housing needs of certain groups and to form or promote the formation of associations.

Housing Associations could be formed by the following organisations either separately or collectively:

Local Government Councils,
Regional Organisations of Councils,
Regional Councils of Social Development,
Social Welfare Organisations,
Resident Action Groups,
Ethnic Groups,
Trade Unions.

The most effective combination would be a joint venture by Local Government Councils, Regional Councils of Social Development, community groups and tenants. This would avoid patronage or policy bias that could occur if the Housing Association, its purchase of properties and its allocation of tenancies were to be controlled solely by the Local Government or solely by community organisations.

Restricting operations to one or more local government areas within a region would provide better opportunities to:

(a) develop a knowledge of the housing needs of various groups in a limited area and of the value and availability of properties.

(b) Establish close links with local organisations which could support the project in various ways and ensure that the Association's program was relevant to local needs.

(c) Establish a close relationship with the municipal councils whose officers have a detailed knowledge of property values and trends.

At the preliminary stage, it might be difficult to determine the extent to which tenants would want to participate in management. However, it would be possible to hand over the management of some or all of the properties owned by the Housing Association to a co-operative of tenants. The Holloway Tenant Co-operative in London, which now manages properties purchased by the Circle 33 Housing Association provides a useful example of a partnership between a Housing Association and an organisation of tenants.

Directors or Committee of Management of a Housing Association should include people with the knowledge of groups in need of housing, representatives of these groups and experience in finance, architecture, town planning, administration and real estate management.

Constitution for a Cost-Rent Housing Association

In Victoria, an association could be constituted under the Victorian Co-operation Act, 1958; the Co-operative Housing Societies Act, 1958; or under the Companies Act as a non-profit company.

If Housing Associations are to be financed by the proposed Australian Housing Corporation or with Australian Government funds through State Governments or Housing Commissions, the constitutional requirements and method of accountability would be determined by the lending organisations.

Finance

At the time of writing, the Housing Corporation Bill has been presented to the Australian Parliament. It is believed that the Bill will be amended to provide that the Housing Corporation will be empowered to lend money to non-profit associations for the purchase of property which will be rented to low-income sections of the community.

As soon as this Bill is passed, it should be possible for the Housing Corporation to fund some pilot project Housing Associations in various States.

The Groups in the community that can be assisted by the operations of the Housing Corporation are restricted to those for whom the Australian Government has constitutional power. Under the family allowance powers in the Constitution, the Corporation would be able to provide funds for family groups receiving child endowment. Migrants, students and aboriginal people would also be eligible for housing assistance.

Extraordinary as it may seem, it is believed that the Housing Corporation would not be able to provide funds for housing for single people and those in receipt of age or invalid pensions unless they also had dependents receiving child endowment. There would still, however, be sufficient numbers of people in need of rental accommodation among those groups constitutionally eligible to justify the funding of Housing Associations by the Housing Corporation.

Agreement with the States should be made for the funding of Housing Associations for those groups presently excluded for direct housing assistance by the Australian Government.

If the Housing Corporation Bill is not passed, the Australian Government should negotiate with the State Governments so that funds can be made available for the formation of pilot project Housing Associations.

[redacted]

Scale of Operations

The amount of money that should be made available for Housing Associations depends on a closer examination of the costs and benefits, the total amount of money available for housing and the extent to which the Australian and State Governments will wish to allocate resources to the various housing sectors - State Housing Commissions for rental and sale, the Home Builders' Account to promote home ownership, tax rebates, permanent building societies and the supply of finance through savings banks.

If the Australian and State Governments accept the proposition that there is an urgent need to increase the stock of rental accommodation, they should give a high priority to funding Housing Associations which would then be able to immediately increase rental accommodation stocks.

As Housing Associations will be a new venture in Australia, it would be desirable to initiate a number of pilot projects. For an amount of approximately $30 million, it would be possible to acquire more than 1,000 units of accommodation containing some 1,300 separate tenancies. The sum of $30 million is less than 10% of the $320 million the Australian Government is making available for welfare housing in 1974-75.

State Housing Commissions and Housing Associations

The question of whether Housing Associations would duplicate or cut across functions of State Housing Commissions needs to be considered. The main purpose of Housing Associations is to purchase and permanently retain stocks of strategically located housing for rental. This is now a lesser function of State Housing Commissions.

Some Commissions now place great emphasis on selling as many houses as possible. In Melbourne, a city with a population of almost 3 million people, the Housing Commission has kept only 10,800 of the 28,000 houses it has built. It also has some 11,000 flats in the metropolitan area for families and about 5,000 for age and invalid pensioners.

If Commissions continue to sell houses in the more established areas of the capital cities, a situation will be reached when the only rental houses available will be in the outlying suburbs and high-rise flats, mostly in segregated estates, will be the only rental accommodation available in older established suburbs.

It is unlikely that in the future, the Victorian Housing Commission will add many units in the inner areas to supplement its gradually dwindling stock of rental accommodation. The Commission is now phasing out its high-rise redevelopment programs and is concentrating almost all its resources on the construction of dwellings in the country, outer suburban areas and the proposed "satellite housing developments" on the metropolitan boundaries.

Except in the case of some small urban renewal projects, the Victorian Housing Commission has refused to purchase existing housing in inner areas and to retain it for low-income people who now live in these properties, or to provide accommodation for those on the Commission's waiting lists. The Commission has argued that this would not add to the total stock of housing. The Commission does not seem to realise its responsibility is to add to the stock of low rental accommodation, and that it is as important to provide this in inner areas where many low-income people prefer to live as it is to build new homes in remote outer areas.

The view has been expressed that it is more expensive to buy older housing thanit is to build new housing in outer areas. If the total cost of servicing housing in new developments is taken into account, this is at best a doubtful argument. It is also one which ignores the social aspects of housing which should include acknowledgment of the fact that there should be a diversity of accommodation available in different areas so that people have as wide as possible range of choice.

The South Australian Housing Trust has acknowledged the value of purchasing and retaining a stock of existing properties in older areas and has so far purchased about 500. West Australia has also retained some properties, but generally speaking, Housing Commissions are providing less and less rental accommodion in established areas. Housing Associations would be an effective way of meeting housing needs which the Housing Commission are moving away from.

There are also many groups not assisted by the Housing Commission either because they are not eligible, or because the Housing Commission is not able to provide rental accommodation for them.

There is a further argument for establishing another, more flexible, arm of public housing. Housing Commissions have now become huge, centrally-controlled institutions. The Victorian Housing Commission has constructed 75,000 flats and houses in Victoria. It is now the landlord to 41,000 tenants. In N.S.W., the Commission has over 70,000 tenants. South Australia has 37,000 Housing Trust tenants, and West Australia 25,000.

A case could be made that Housing Commissions already have too much power with which to influence National, State and local government and, as they continue to grow under centralised management, it is likely that they will become less accountable to the public and more remote from their tenants and home purchasers.

Housing Associations can, in a limited but effective way, provide opportunities for local assessment of housing need and localised management. To the extent to which they develop, they will reduce the need for large-scale Housing Commission expansion and provide new initiatives for housing management which might be useful to Commissions as they grapple with increasingly complex problems of management and decision making in a society where there is a strong trend towards more tenant client or consumer participation.

Housing Associations provide for small-scale flexibility to meet different and changing minority needs. They have a vital role to play alongside the giant State Housing Commissions and the private landlord sector.

Establishment of a Housing Association

A Housing Association formed by representatives of local councils and community organisations in an area covered by say, two municipalities would need to undertake the following tasks:

(a) To define the groups for whom rental accommodation is needed and could be provided by the Association, and to estimate their rent-paying capacity.

(b) To prepare a constitution and make a more detailed investigation of properties and values, methods of projects and financial arrangements. This initial work could be carried out by honorary directors with some outside assistance, but once an association begins to acquire property,

(b) (cont'd.)

it would need a competent and paid secretary or executive officer. Depending on the funds available and the rate of plan growth of the Association, the executive officer could be either full or part-time.

When the Association is established, staffing and office costs would be a charge on rental income. The offices of a Housing Association would also be a suitable location for a housing advice and information centre of the kind proposed by the Australian Department of Housing.

(c) To determine the kind of properties required to accommodate groups to be housed, e.g. 20 individual family houses of various sizes and 10 properties suitable for letting of rooms or apartments.

(d) To negotiate with the Housing Corporation, or lending body, the amount of money to be borrowed, interest rates, terms and methods of repayment.

For example, in the inner suburbs of Melbourne, it would be possible to purchase 20 family houses ($25,000 each) and 10 rooming houses ($40,000 each) for a total of approximately $900,000.

(In Great Britain, the upper limits of purchase are set by the valuer representing the local authority or the Housing Corporation.)

(e) Establish criteria for letting - determine accommodation available for large and small family groups, single people, one-parent families, etc. The Housing Association would need to establish a policy on means tests, length of tenancy and possible provision of rent rebates.

It would prepare a suitable form of contract or agreement for the Association and its tenants.

Rents and Tenants' Capacity to pay

The main purpose of a Housing Association is to provide low-rental accommodation to meet the needs of low-income groups and so the rent charged should not exceed 20% or 25% of income. Examples of the economic rent required to repay a long-term, low-interest loan and to meet interest payments are shown in Appendix 'A'.

There are three methods by which rents could be kept within the means of people with low incomes. These are:

(i) Australian Government or State Government to subsidise rent rebates of the kind that are applicable to Housing Commission tenants.

As the Housing Association would be a non-profit body, the Government would not be faced with the dilemma of providing rebates that might do little more than add to the income of landlords.

If rebates were required and provided they would be similar to the deficit financing arrangements that the Australian Government has introduced for non-profit nursing homes.

(ii) To write off part of the original purchase price of a property. The economic rent would then be based on the balance of the cost. As the property would remain in non-profit ownership, the value of the write-off would not be passed on for private profit. It would merely help to keep rents within the capacity of low-income tenants now and in the future.

(iii) To arrange repayments to the Housing Corporation or lending authority on a variable basis which provides for interest only payments in the early years of the loan and then commencing principal repayments of gradually increasing amounts. Increases in tenants' income ensure that the 20% or 25% of income to be paid in rent would, after the first few years, be adequate to meet interest and to gradually increase the repayment of principal. Examples of this proposal are given in Appendix 'A'.

Several arrangements are possible depending on the amount and length of the loan and the interest rate. If the proportion of income to be paid in rent is 25%, the amount of principal repayment could be increased. Even if the rental accommodation is made available only to low-income groups, there will be some who could afford to pay more than 20% of total income if wives and/or children of the family are working.

Lodging houses occupied by a number of tenants would also have a greater rent income and should be able to meet normal interest and principal payments.

Capital Appreciation

Capital appreciation would provide the Housing Association with a capacity to replace properties, as required in the future, or to raise loans for purchasing other properties. There would be no requirement to increase rents in accordance with the capital appreciation unless some increase was deemed to be fair, was needed for other social purposes, such as subsidising rents or repayments on more recently purchased properties.

Government Policy and Housing Associations

The proposal for Housing Associations conforms with the policy of the Australian Government which has declared a strong commitment to meet the housing needs of low-income and socially disadvantaged groups, and has stressed the need for more low rental accommodation. The need to reserve a stock of low-rental accommodation in inner areas for low-income earners conforms with the developing ideas of the Department of Urban and Regional Development on an inner area strategy. The need for increased stocks of low-rental accommodation in the inner areas has also been emphasised by the Melbourne Strategy Plan prepared for the Melbourne City Council.

Housing Associations will provide opportunities for localised decision making and for tenant participation in management which are in line with the Government's endeavours to encourage participatory processes as demonstrated in the Australian Assistance Plan, the Children's Commission and other Australian and State Governments' initiatives for regionalising the administration of services.

This consideration of the role of Housing Associations has been mainly in the context of the contribution they could make to preserve stocks of rental housing in established areas. However, similar programs could be undertaken in outer suburban areas, regional cities, proposed new growth centres and country towns.

As in older areas, Housing Associations could provide a wider range of housing choice, particularly for minority groups. It would also be possible for Housing Associations to construct new accommodation - houses, flats, apartments, hostels in any areas.

It is important that Housing Associations are established as soon as possible to take advantage of the recent levelling-off of property prices and to meet the growing needs of the hard-pressed sections of the community needing rental accommodation and for whom there is, at present, very little assistance compared with that provided or proposed for home owners or purchasers.

Conclusion

Housing Associations will:

(a) Permanently secure a stock of accommodation of various kinds for renting to families and individuals with low incomes.

(b) Localise the control and management of the rental accommodation.

(c) Provide for tenant participation in management.

(d) Evaluate the social benefits and the financial aspects of providing cost-rent accommodation.

(e) Provide an alternative model of housing management alongside those of the Housing Commission and private landlords.

(f) Help to preserve the social and physical fabric in established areas of Australian cities.

(g) Bring new people with fresh ideas into housing planning and provision.

APPENDIX 'A'

VARIABLE MORTGAGE REPAYMENT
(Calculated October, 1974.)

1.	Purchase Price	$25,000
	Stamp duty, legal fees, etc.	500
		$25,500
Australian Housing Corporation - 100% loan		$25,500
Rent based on principal & interest, 5% over 40 years		$28.20 p.w.
(4% interest and 1% for management, rates, insurance)		
Assume weekly income of $90. Rent as proportion of income		32%

(cont'd.)

APPENDIX 'A' (Cont'd.)

2. If interest, principal repayments and other costs are too high for tenants in first few years, they can be varied, and geared to income increases, e.g.

(a)	Purchase price	$25,000	
	Stamp duty, legal fees, etc.	500	
		$25,500	
	Principal and interest payment on $25,500 repayable over 40 years at 5%, principal adjusted quarterly - (4% interest, 1% for management fee, rates, insurance)		$28.20
(b)	Same costs but interest only paid for first 3 years. Weekly payment for interest		$24.60

APPENDIX 'B' (Prepared October, 1974)

$25,000 LOAN

Year	1	2	3	4	5	6	7
Weekly Wage	90	99	109	119	130	143	157
20% Weekly Wage	18	20	22	24	26	28.50	31
Rent Repayment	18	20	22	24	26	28.50	31
Interest outstanding at end of year	1250-936 = 300	1265-1040 - 220	1276-1144 - 130	1282-1248 = 34	Nil	Nil	Nil
Capital outstanding at end of year	25,000	25,300	25,520	25,650	25,650-70 = 25,580	25,580-200 = 25,380	25,380-340 = 25,040
Total amount owing	25,300	25,520	25,650	- 25,700	25,580	25,380	*

* After six years of these payments, the rent payments can be stabilised to $30 and the capital would be paid off in 34 years' time.

Note: Calculations are based on one yearly reducing interest. Also, some approximations have been made.

APPENDIX 'C'

SOURCES OF INFORMATION

Interviews with the Assistant Secretary of the National Federation of Housing Societies, London, U.K.

"The Organisation of Housing in the United Kingdom". A study to be published shortly by the Centre for Environmental Studies.

Interviews with members of the Notting Hill Housing Trust.

Interviews with the Housing Centre and study of documents and reports on Housing Associations.

The following material is on file at the Brotherhood of St Laurence:

A Guide to Housing Associations. National Federation of Housing Societies, July 1973.

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Annual Report, 1973. National Federation of Housing Societies.

Co-Ownership Housing. National Federation of Housing Societies.

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Housing Corporation Bill, 1974.